

Electronically Recorded

Tarrant County Texas

Official Public Records

10/29/2010 2:18 PM

D210268590



PGS 17 \$80.00

Suzanne Henderson

Submitter: SIMPLIFILE

STATE OF TEXAS

§

§

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TARRANT

§

**PAID UP/OIL AND GAS LEASE**  
**NO SURFACE USE**

THIS AGREEMENT ("Lease") is made and entered into this 21<sup>ST</sup> day of OCTOBER, 2010, by and between **Arlington Independent School District ("AISD")**, an independent school district of the State of Texas located within Tarrant County, Texas (hereinafter referred to as "**Lessor**"), and, **Carrizo Oil & Gas, Inc.** (hereinafter referred to as "**Lessee**").

1. **GRANTING CLAUSE.** Lessor, in consideration of lease bonus in hand fully paid, with a fully funded certified or cashier's check or wire transfer, and other good and valuable consideration in hand paid by Lessee, the receipt of which is hereby acknowledged, and in consideration of and for the royalties herein provided, and business purposes, covenants, agreements and obligations of Lessee herein contained, and upon and subject to the conditions and with the limitations hereinafter set forth, hereby lease and let exclusively unto the said Lessee, for the sole purpose of investigating, exploring, prospecting, drilling and producing only oil and natural gas and associated hydrocarbons, if any, produced in association with oil or gas, and to produce, save, take care of, treat, store, sell, market, and transport oil and gas and such related substances, those certain lands situated in Tarrant County, Texas as described below. Lessee acknowledges this is school property and this is strictly a non-surface use Lease with certain distance restrictions. Lessee acknowledges AISD is a governmental entity and as such, is **NOT** currently subject to severance or production taxes in the State of Texas, and Lessee will use reasonable efforts to ensure no production or severance taxes are inappropriately withheld from royalties due AISD; and shall promptly refund any taxes that are inappropriately withheld or paid to the State, out of Lessee's own funds within sixty (60) days. The lands leased hereby are described in Exhibit "A", attached hereto (herein the "**Leased Premises**"). This lease does not grant to Lessee any right to explore for or produce any mineral or other substance except for oil and natural gas and associated hydrocarbons, if any, produced in association with oil or gas, and only if produced from offsite well pad locations as prescribed by this Lease or the City of Arlington's rules and regulations that are in effect and may be changed from time to time.

2. **PRIMARY TERM.** This lease shall remain in force and effect for a term of twenty-four (24) months from the date set out above (hereinafter called "**Primary Term**") and as long thereafter as there is production in paying quantities from the Leased Premises. If at the end of the Primary Term, or the cessation of production in paying quantities at any time thereafter, Lessee is engaged in bona fide, actual drilling, reworking or any other operations reasonably calculated to obtain or restore production from the Leased Premises, this lease shall remain in force so long as any one or more of such operations are prosecuted with no

interruption of more than ninety (90) consecutive days, and if any such operations result in the production of oil or gas or associated hydrocarbons covered hereby, as long thereafter as there is production in paying quantities from the Leased Premises.

3. **DEPOSITORY.** Bonus consideration, royalty and other payments hereunder shall be remitted directly to Lessor at Lessor's address, unless Lessor gives written notice to Lessee of a change in depository. If the full bonus is not paid and the funds clear within seven (7) business days following the complete execution and delivery of this Lease, the Lease will be null and void, ipso facto. Lessee shall not file this Lease of record until the bonus funds have been fully paid and transferred to Lessor, but third parties searching the records may rely on the recordation of this Lease or a memorandum of lease as conclusive proof that the bonus was timely paid.

4. **ROYALTY.**

Lessee shall pay to Lessor the following royalties, which shall be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent (100%) of all costs and expenses incurred in rendering hydrocarbons produced on or from the leased premises marketable and delivering the same into the purchaser's pipeline for immediate transportation to an end user or storage facility. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, compression, transporting, manufacturing or marketing of hydrocarbons produced from the leased premises or lands pooled therewith.

(a) On oil, gas (including flared gas or lease use gas) and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by Lease operations (such as in drips or separators) Twenty Five percent (25%) of the proceeds of the sale or of the market value thereof, whichever is higher. Such proceeds of oil, gas and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by Lease operations, is to be delivered free of cost at the well or to the credit of the Lessor into pipelines, gathering lines, barges or other facilities to which the wells and tanks on the property may be connected. Lessor shall always have the right, at any time and from time to time, upon reasonable written notice to Lessee, to take Lessor's share of oil, gas and processed liquids in kind, at Lessor's sole risk and expense. Lessor may elect to take Lessor's gas in kind at the well, or at the point of delivery where Lessee delivers Lessee's gas to any third party, at Lessor's sole risk and expense. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the leased premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. **Lessor shall reimburse Lessee for all reasonable costs actually incurred by Lessee and paid to a party other than**

an affiliate in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expense in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee with respect to the ownership or operation of the processing plant, a corporation or other entity in which Lessee owns a ten percent or greater interest, or any individual, corporation or other entity that owns a ten percent or greater interest in Lessee.

(b) On products, Twenty five percent (25%) of the proceeds.

(c) On residue gas or gas remaining after separation, extraction or processing operations, Twenty Five percent (25%) of the proceeds.

(d) For purposes of this Paragraph 4, the term "market value" shall mean for gas and products therefrom the gross price at which gas or products therefrom are sold to an unaffiliated party in a bona fide arms-length transaction pursuant to a Gas Contract, as defined below. In no event shall "market value" ever be less than the amount actually received by the Lessee for the sale of hydrocarbons.

(e) This Lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event, this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of Twenty Five percent (25%) of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's Twenty five percent (25%) of such substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

(f) Lessee agrees that it will not enter into any contract for the sale, delivery, transporting or processing of gas produced from the leased premises which shall extend more than two (2) years from the effective date of such sales contract unless such contract has adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that production from this Lease is not being sold for less than the then current market value.

(g) Lessee shall pay Lessor royalty on all gas produced from a well on the Leased Premises and sold or used off the Leased Premises, regardless of whether or not such gas is produced to the credit of Lessee or sold under a contract executed by or binding on Lessee. Should gas be sold under a sales contract not binding on Lessee, Lessor's royalty will be calculated based on the highest price paid for any of the gas produced from the well from which such gas is produced. In no event will the price paid Lessor for Lessor's share of gas be

less than the price paid Lessee for Lessee's share of gas.

(h) If after the primary term, there is under the Leased Premises or pooled lands therewith a well bore capable of producing gas in paying quantities, but gas is not being marketed therefrom for a period of ninety (90) consecutive days and if this Lease is not then continued in force by some other provision hereof, then this lease shall terminate unless on or before sixty (60) days following the end of such ninety (90) day period, Lessee tenders or pays as royalty hereunder the sum of Ten Thousand Dollars (\$10,000.00) to Lessor per well, such amount to be reduced if the well is in a pooled unit based upon the proportion of the total number of mineral acres that the Leased Premises contributes to the total number of mineral acres in the pooled unit, which payment shall constitute production from such well in paying quantities for a period of one (1) year from the date such well is shut-in. All such payments to be reduced if any well is in a pooled unit based upon the proportion of the total number of mineral acres that the Leased Premises contributes to the total number of mineral acres in the pooled unit. Notwithstanding anything herein to the contrary, this lease shall not be maintained by shut-in royalty payments for any single period longer than twenty-four (24) months or an aggregate of five (5) years. Notwithstanding anything to the contrary set out above, a well drilled and cased into the Barnett Shale formation shall be conclusively deemed to be capable of producing in paying quantities and Lessee shall not be required to either conduct a frac job on such well or complete or equip such well for production in order to treat such well as a shut-in gas well under this Paragraph 4(h). In the event a well is shut-in for more than twenty four (24) consecutive months following the end of the primary term, or an aggregate of five (5) years (without reference to any time a well is shut-in during the primary term), then this lease will expire as to those lands included in the unit covering such shut-in well(s).

(i) If, by reason of assignments of undivided interests in Lessee's interest in this lease, more than one party becomes entitled to a portion of Lessee's share of gas produced from any well on the Leased Premises or pooled acreage, and if any or all of such co-owners elect to take their share of gas in kind, resulting in split stream deliveries of gas to different purchasers, Lessor shall be entitled at Lessor's election, to require the operator of the Leased Premises to pay and account to Lessor for all royalties due on gas production from the well or wells from which split stream deliveries are being made. If Lessor exercises such election, the operator of the Leased Premises of that portion upon which the split stream production is located, shall pay to Lessor all royalties due on such gas production and shall provide production statements from all purchasers of such gas showing the amount sold and the price paid therefor.

(j) Lessor shall have the right to fully and completely audit the accounts and records of Lessee, its successors and assigns, no more than once per year, relating to revenue from the Leased Premises and any deductions from royalty. Lessor will in good faith fully cooperate in such audit and make all relevant documents available to Lessor and its agents and contractors. Such right shall be exercised by Lessor by giving Lessee reasonable written notice and such audit shall be conducted only during normal business hours. If the audit reveals an underpayment exceeding 5% of the amounts paid, Lessee shall be responsible, and promptly reimburse Lessor in respect of all expenditures by Lessor, for the reasonable costs of the audit, plus one percent (1%) per month interest on the underpaid amount.

(k) Initial royalty payments shall be due by the later of (i) one hundred twenty (120) days after the end of the month in which first sales were made and (ii) sixty (60) days after the division order title opinion is complete; provided, however, after 120 days from first sales, Lessee will use best efforts to cause all undisputed revenue to be disbursed upon receipt of full indemnity from Lessor with regard to any such disbursements. All subsequent royalty payments shall be due within thirty (30) days after the end of the month for oil, and sixty (60) days for gas in which the production occurred. Should Lessee fail to pay such royalty within such time, then Lessee shall pay to Lessor interest on said accrued royalties at the rate of the lesser of the maximum rate permitted by law or the average prime interest rate charged by Frost National Bank, Wells-Fargo, or Bank of America, whichever is higher, all of Tarrant County Texas, plus two percent (2%), from the due date until the date of payment. In the event that Lessee fails to pay Lessor the royalty as provided in this paragraph, Lessor may, at Lessor's option, seek to terminate this Lease by sending written notice to Lessee detailing Lessee's failure to pay proper royalties as provided in this paragraph. Lessee shall then have thirty (30) days from the date such written notice is received by Lessee in which to avoid termination of this Lease by either (1) making or causing to be made the proper royalty payment or payments that should have been paid, or (2) providing a detailed written response to Lessor disputing Lessor's claim of improper royalty payments. If, on or before expiration of such 30 day period, Lessee either (1) fails to make the proper royalty payment to Lessor, or (2) fails to provide a written response to Lessor detailing Lessee's dispute of Lessor's claim, or (3) fails to secure written approval from Lessor to defer such payment, then Lessor may elect to terminate this Lease by filing a Notice of Termination with the County Clerk in the county where the leased premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk. The rights of Lessor under this paragraph shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under V.T.C.A. Natural Resources Code §§ 91.401 through 91.405.

## **5. CONTINUOUS DEVELOPMENT.**

(a) Since this lease is a no surface use lease and will thus be pooled into a larger unit, and thus possibly somewhat diluted; for Lessor's protection the following is required for this lease and lands pooled herewith. At the later to occur of the expiration of the Primary Term or at the end of the "Continuous Development Period" provided herein below, this lease shall terminate as to all of the Leased Premises SAVE and EXCEPT for the following "Retained Tracts": any tract that has been fully included in a properly designated pooled unit, with a copy of the unit designation, plat, and acreage being previously provided to AISD on which a well or wells have been drilled and are capable of producing in paying quantities, or which is currently being held under the shut-in clause or other provisions of this lease. To the extent a tract under this lease is not in a properly designated unit, then (i) no more than twenty (20) acres for completed wells other than Horizontal Wells; (ii) for completed horizontal wells, no more than the acreage specified for a vertical well plus the "additional acreage" linked in the table in Statewide Rule 86 up to a maximum retained of no more than 120 acres per Horizontal Well, for which such well must comply with the requirements of Statewide Rule 86, and if the well is producing from the Barnett Shale formation, the "additional acreage" assigned shall be based

upon the table "For Fields with a Density Rule of 40 acres or less" (i.e. twenty (20) acres for every 585 feet of "Horizontal Drain hole Displacement")." For purposes of this lease, a Horizontal Well shall be defined as a horizontal well under Texas Railroad Commission Statewide Rule 86. On each occasion that a well is (i) recompleted at a shallower depth and/or (ii) recompleted as an oil well after previously having been completed as a gas well, the acreage and depths which may be retained around such well shall be adjusted according to the formula set forth above, in the Retained Tract. In the event the Railroad Commission of Texas (or other governmental authority having jurisdiction) requires, or permits, the allocation of larger or smaller tracts of land to any such producing well in order to obtain the maximum production allowable, then this lease shall continue in force and effect as to the amount of acreage surrounding each well required to obtain such full allocation.

(b) Lessee shall, within thirty (30) days after the partial expiration of this lease for any reason as provided herein, file of record in the Office of the County Clerk where the Leased Premises are located, an instrument releasing this lease insofar as said lease has terminated, specifically describing the Retained Tracts surrounding each producing well and the depth retained by Lessee. Lessee shall, prior to recording such release, deliver to Lessor a plat depicting the location of each Retained Tract along with the log of each well within a retained tract and proof of the depth to Lessee to be retained within each tract. Each such Retained Tract shall be as nearly in the form of a square (for vertical wells) and a rectangle (for horizontal wells) as is possible, with the well located thereon being sufficient distance from the boundary lines of such retained tract as to comply with the rules and regulations of the Railroad Commission of Texas and shall conform, as nearly as practicable, with the lease lines.

(c) If at the end of the Primary Term, Lessee is then engaged in the actual drilling of a well for oil or gas under the Leased Premises or lands pooled therewith or Lessee has completed a well on the Leased Premises within ninety (90) days preceding the expiration of the primary term, then the release provisions of this Paragraph 5 shall not be applicable until such time as the Lessee has been allowed a period of ninety (90) consecutive days between the completion date on a well and the commencement of actual drilling on a subsequent well under the Leased Premises, or lands pooled therewith and fails to commence the subsequent well within such ninety (90) day period (the "**Continuous Development Period**").

(d) At such times as a partial termination of this lease occurs under the provisions of this Paragraph 5, each Retained Tract shall be considered as a separately leased tract, in the same manner as if Lessor has executed a separate lease covering each such Retained Tract under the same terms and conditions under the then existing lease. Thereafter, each separate lease can be kept in force and effect only by actual or constructive production from or operations upon, the particular tract or lands pooled therewith, or by other provisions of this lease, without regard to production or drilling operations upon the other tracts retained by Lessee under the terms hereof.

(e) If at any time production in paying quantities should cease from a Retained Tract hereunder, this lease shall not terminate as to the portion of the Leased Premises then included within such retained tract if drilling or reworking operations are commenced on such Retained Tract or pooled within sixty (60) days after such cessation of production; and if such drilling or

reworking operations are so commenced, this lease will remain in effect as to the lands then included within such Retained Tract for as long as such drilling or reworking operations continue with no cessation of more than sixty (60) consecutive days, and if production of oil or gas is restored on such Retained Tract, for as long as production continues in paying quantities.

(f) For purposes of this lease, drilling operations shall be deemed to have "commenced" when a well is spudded by a drilling rig and machinery capable of drilling to a depth sufficient to test the Barnett Shale for such well on the well location. Furthermore, for purposes of this lease, the "completion" of non-producing wells shall be the date of final plugging and abandonment, and the "completion" of a producing well shall be the date the well is physically completed and capable of production, including the completion of the potential test and all other tests required by the Railroad Commission of Texas or its successor regulatory agency; provided, such completion shall never be more than one hundred (180) days following release of the drilling rig in the case of a dry hole, or release of the completion rig, in the case of a completed well, unless otherwise agreed to by AISD.

(g) If at any time after the expiration of the primary term hereof, or any extensions thereto as provided by the continuous drilling provisions hereof, field rules affecting the Leased Premises or lands pooled therewith are established or the well or wells located under the Leased premises are reclassified as oil or gas wells so that less acreage than provided for under subparagraph 5(a) above is thereafter allocated to said well or wells for production purposes, then unless Lessee commences drilling or reworking operations under the Leased Premises or pooled lands within one hundred and twenty (120) days of the date such field rules are established or the date a well is reclassified and thereafter continues drilling or reworking operations with no cessation of more than one hundred twenty (120) days, the acreage and depths which may be retained around such well shall be adjusted according to the formula set forth in Paragraph 5(a) above, in the Retained Tract.

(h) At the expiration of the primary term or the continuous development program, whichever is later, Lessee shall release this lease as to all depths, in each Retained Tract that is not pooled.

6. **NOISE ABATEMENT.** Lessee agrees to use most effective sound deadening, reduction or abatement equipment or procedures reasonably available for all operations pursuant to this lease which are located within one thousand (1000) feet of the Leased Premises. Lessee agrees to have a sound engineer study the operations site and to implement his or her reasonable recommendations and regularly thereafter to have a sound engineer review and recommend newly developed sound reduction techniques for the compressor station and to implement any reasonable recommendation.

7. **OFFSET WELLS.** An "offsetting well" is a well that is producing oil and/or gas or associated hydrocarbons in paying quantities from adjacent or nearby land not pooled with the Leased Premises and which is draining the Leased Premises. Lessee shall protect the Leased Premises from drainage from an offsetting well as required of a reasonably prudent operator with the expectation of realizing a profit. A producing well with perforations located within 330 feet

of the Leased Premises and not located on land pooled with the Leased Premises will be conclusively presumed to be draining the land.

8. **POOLING.** Lessee may pool all or a portion of the Leased Premises with adjacent lands into one or more pooled units without the express written consent of the Lessor, but only if the pooling is done in good faith, for bona fide reasons, not just to hold leases, but rather to properly and in good faith produce the leased land or land pooled therewith, and pay royalties. To the extent an individual tract (as listed on Exhibit "A") included under this lease is to be included in a pooled unit, and to the extent that tract is less than 50 acres in size, then the entire tract must be included in the pooled unit, unless the district approves otherwise. The Barnett Shale is known as a "proven resource" play. Pooling should be done, where practical, in rectangles for horizontal wells and no more than one hundred and twenty (120) acres per horizontal well bore. That said, it is understood that from time to time, Lessee may need to form larger pooled units in order to prudently develop the acreage based on well drilling locations, etc., and Lessor, having reviewed the availability of pad sites in the vicinity of the Leased Premises, hereby consents to and authorizes the formation of pooled units up to 640 acres plus a 10% tolerance, so long as a horizontal well is drilled on such unit and so long as all of the acreage in an individual tract or tracts up to 50 acres in size (as listed in Exhibit A) is included in any such unit. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing the pooled acreage as a pooled unit. In this regard, Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents, including a plat of the unit with the district lands included in the unit highlighted or otherwise designated for easy identification. Upon the recordation of the unit in the county records and the timely furnishing of the copies required herein to Lessor, the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this Lease whether or not the well or wells be located on the Leased Premises and in such event operations for drilling shall be deemed to have been commenced on the Leased Premises within the meaning of this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, there shall be allocated to the Leased Premises and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a



pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this Lease, except that the amount of such shut-ins shall be proportionately reduced to the lands pooled.

9. **SECONDARY RECOVERY.** Lessee will not use gas produced from or allocated to the Lease Premises to implement any repressuring, pressure maintenance; recycling or secondary recovery operations without the prior written consent of Lessor.

10. **ASSIGNMENT.**

A. Lessee may freely assign (1) all of its working interest under the entirety of an individual tract or tracts (as listed on Exhibit "A") under this lease to a working interest owner who owns at least seventy-five percent (75%) of the total leasehold in a pooled unit which includes such tract or tracts under this lease, or (2) a working interest of twenty-five percent (25%) or less under the entirety of an individual tract or tracts (as listed on Exhibit "A") under this lease to a working interest owner who owns an interest in a pooled unit which includes such tract or tracts under this lease. Otherwise, Lessee may not assign or otherwise transfer their interest or operations under this lease without the prior written consent of Lessor, provided further that no such consent shall be granted until there has been a face to face meeting between Lessor and a representative of the proposed Assignee. Lessor may withhold such consent if Lessor reasonably believes that any assignee or transferee of the Lessee who will assume duties as operator does not have a net worth or operational capabilities sufficient to operate the lease in a manner comparable to the manner in which the Lessee operated the lease, or other legitimate or reasonable reasons, that the Lessor considers significant to the business transaction, and further obligations under this lease. The interests of Lessor hereunder may be assigned, mortgaged or transferred in whole or in part, but no change or division in ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder. No change in ownership permitted hereunder shall be binding on Lessee until thirty (30) days after Lessee has been furnished the original or certified or duly authenticated copies of the recorded documents evidencing such change of ownership. The rights and obligations of the party hereunder shall extend to their respective heirs, successors and assigns. Any assignment of this lease, by Lessee shall contain a provision whereby assignee expressly assumes all covenants, terms, provisions, conditions and obligations of this lease and assignee must execute such assignment in order for same to become effective. Lessee shall notify AISD within fifteen (15) days of any assignment made pursuant to the provisions of this paragraph 10 A.

B. Lessor and Lessee agree that Lessor may assign its rights and interests in the

leased premises in whole or in part to an affiliated entity of Lessor, but otherwise such rights may not be assigned in whole or in part, directly or indirectly, to any other party, without the prior written consent of Lessee, which consent may not be unreasonably withheld.

11. **NO SURFACE USE (EXCEPT AS PERMITTED BY SEPARATE SURFACE USE AGREEMENTS WITH LESSOR).** Notwithstanding anything herein to the contrary, Lessee, nor its affiliates, subsidiaries, agents, contractors, subcontractors, gathering or transmission facilitators, of any nature whatsoever shall not have any rights to enter upon, conduct any drilling or other surface operations of any nature, or place any facilities or structures of any kind on, over or across, any portion of the Leased Premises (including, but not limited to, exploration activities of any nature, seismic activities, the laying of pipelines, surveying, the building of roads, tanks, power stations, telephone lines, flow lines, electric power lines, tank batteries, or treaters), except as expressly provided in separate surface use agreements entered into with one or more Lessor hereto. Provided however, Lessee shall have the limited right to enter the Leased Premises with a subsurface horizontal or directional wellbore in an effort to explore for and develop oil and gas under the Leased Premises and lands pooled therewith, provided that such operations do not interfere with in any way the surface, or subsurface support of any improvements constructed on, the Leased Premises or the business activities conducted on the Leased Premises. Since this is school property, Lessee will endeavor in good faith to use its reasonable efforts and its full, bona fide influence with any and all others to ensure no potentially dangerous equipment utilized in connection with Lessee's operations hereunder is located within one thousand (1000) feet of the school property. If lessee applies for any drilling ordinance variance with respect to locations around a school or property of the district, they will immediately (within 48 hours) give the district notice of the proposed variance, and to the extent this would locate any well or gathering, compression, transmission or other facility closer to the Leased Premises than current ordinances allow, lessee acknowledges, other rules and regulations notwithstanding, they will need to obtain district approval to such requested variance prior to proceeding.

12. **GEOPHYSICAL OPERATIONS.** It is agreed and understood that notwithstanding anything herein to the contrary that Lessee may not conduct any geophysical operations or surveys on the Leased Premises without Lessor's prior written consent, which shall not be unreasonably withheld.

13. **INDEMNITY.** Lessee, its successors and assigns agree to release, defend, indemnify, and hold harmless Lessor, any surface owners over the Leased Premises, and their respective officers, owners, partners, tenants, guests, invitees, and any of their heirs, successors, agents and employees (collectively, the "Indemnified Party"), from any and all costs, losses, claims, judgments, settlements, and damages of every kind and character to real property, personal property or persons (including, without limitation, claims involving environmental laws and regulations, pollution, contamination of ground waters, personal injury and death), lawsuits and/or causes of action (including reasonable attorneys' fees, expert fees and court costs) (collectively "Claims"), **INCLUDING CLAIMS ARISING FROM THE JOINT OR CONCURRENT NEGLIGENCE, OMISSION OR STRICT LIABILITY OF ANY OF**

**THE INDEMNIFIED PARTY**, which may grow out of, arise from, or in any manner be connected with the activities of Lessee and Lessee's agents, invitees, guests, contractors, oil or gas purchasers, oil or gas transporters, servants and employees, whether acting within the scope of their employment or not, and whether negligent or not, on the Leased Premises, including, without limitation, any Claims arising from loss of subsurface support of the Leased Premises and any Claims arising from the production, evacuation or transportation of oil or gas produced from the Leased Premises. **LESSEE'S OBLIGATION TO DEFEND LESSOR SHALL APPLY WHETHER OR NOT LESSOR MAY BE GUILTY OF ANY NEGLIGENT ACT OR OMISSION WHICH RESULTED IN OR CONTRIBUTED TO THE COST, EXPENSE OR LIABILITY AGAINST WHICH LESSEE IS OBLIGATED TO DEFEND LESSOR HEREUNDER, AND WHETHER OR NOT LESSOR'S LIABILITY IS IMPOSED BY ANY STATUTORY OR COMMON LAW THEORY OF STRICT LIABILITY. LESSEE'S OBLIGATION TO INDEMNIFY LESSOR SHALL APPLY WHETHER OR NOT LESSOR MAY BE GUILTY OF ANY NEGLIGENCE OR OMISSION WHICH RESULTED IN OR CONTRIBUTED TO THE COST, EXPENSE OR LIABILITY AGAINST WHICH LESSEE IS OBLIGATED TO DEFEND LESSOR HEREUNDER AND WHETHER OR NOT LESSOR'S LIABILITY IS IMPOSED BY ANY STATUTORY OR COMMON LAW THEORY OF STRICT LIABILITY, BUT SHALL NOT APPLY TO ACTS OR OMISSIONS OF LESSOR FOUND TO CONSTITUTE SOLE NEGLIGENCE, GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.** For purposes of this Paragraphs 13 and 14 of this lease, environmental laws and regulations include, without limitation, the federal Oil Pollution Act (OPA), the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), the federal Resource Conservation and Recovery Act (RCRA), the federal Clean Water Act, the Texas Solid Waste Disposal Act (TSWDA), the Texas Water Code (TWC), and the federal, state and local rules, regulations, ordinances, orders and governmental directives implementing such statutes. The Lessee's obligations in this Paragraphs 13 and 14 shall survive the termination of this lease.

14. **ENVIRONMENTAL LIABILITY**. Although this is a non-surface use lease, if in some event, way or manner there are environmental issues related hereto, the following shall apply: As used in this lease, the term "Hazardous Materials" means any substance or material defined or identified as hazardous, extra-hazardous, toxic or radioactive or subject to regulation as a solid waste or pollutant under any applicable federal, state, or local statute or regulation including, without limitation, the environmental laws and regulations referenced in Paragraphs 13 and 14 of this lease. "Remedial Work" is defined as any site investigation or monitoring, any cleanup, containment, remediation, removal, or restoration work performed in response to any federal, state or local government authority or private party action ("action"), or pursuant to any federal, state or local statute, rule, regulation, ordinance, order, governmental directive or other laws ("law"). Lessee agrees, for the benefit of the Lessor, (1) to remove from the Leased Premises, if, as and when required by any action or law, any Hazardous Materials placed or released thereon by Lessee (including its drillers and other contractors), (2) to perform Remedial Work where the need therefore arises in connection with Lessee's (including its drillers' and other contractors') operations or activities on the Leased Premises, and (3) to comply in all respects with all laws governing operations by Lessee (including its drillers and other contractors) and Remedial Work

on or associated with the Leased Premises. Remedial Work shall be performed by one or more contractors selected by Lessee under the supervision of an engineer selected by Lessee. All costs and expenses of Remedial Work resulting from Lessee's (including its drillers' and other contractors') operations shall be paid by Lessee, including, without limitation, the charges of such contractors and/or the consulting engineer and Lessor's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of Remedial Work. If Lessee shall fail to timely commence or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lessor may (but shall not be required to), after first giving Lessee fifteen (15) days written notice of its failure and Lessee's continued failure to perform, cause such Remedial Work to be performed and Lessee will reimburse all reasonable costs of same on demand. The provisions of this paragraph shall not constitute approval or obligate Lessor to consent to the imposition of any engineering or institutional control that would restrict or limit future use of the Leased Premises for any purpose including, without limitation, any deed restriction or limitation on the use of groundwater or use of the property for residential purposes. Lessee will notify Lessor of any claim or other action by any governmental agency or any third party involving the actual or alleged existence of Hazardous Materials on the Leased Premises and provide Lessor with copies of (1) any notice of any actual or threatened release of Hazardous Materials given by Lessee pursuant to any law and (2) any report of and response to any such release including all Remedial Work. Lessee, its successors and assigns, in accordance with the provisions of Paragraphs 13 and 14, will release, indemnify, pay and protect, defend and save the Indemnified Party harmless from all claims, liabilities, fees and expenses of any kind (including reasonable attorneys' fees, expert fees and costs) that arise from the actual or alleged presence or release of any Hazardous Materials in connection with the operations of Lessee and Lessee's agents, invitees, guests, contractors, servants and employees on the Leased Premises. Such indemnification shall include, without limitation, costs in connection with any Remedial Work performed by Lessor, any surface owner, or any third party in response to any federal, state or governmental authority, laws or regulations, due and payable upon demand by the Lessor. The Lessee's obligations in this Paragraph 13 and 14 shall survive the termination of this lease.

15. **RELEASE BY LESSEE.** Lessee, its successors and assigns, shall have the right at any time to surrender this lease, which right shall be a requirement due immediately upon any termination hereof, whether in whole or in part, to Lessor, its successors and assigns by placing a release thereof of record in the county in which the Leased Premises are situated and delivering or mailing, certified or registered, a recorded copy to Lessor, within fifteen (15) days of such release. After the primary term, and to the extent this lease is not being perpetuated in accordance with the provisions herein, then Lessee will execute and file a release of all rights below 100' below the deepest depth drilled. This release will be executed and filed within thirty (30) days after the later of the primary term or other expiration of this lease, and a copy will be furnished to the District.

16. **INSURANCE.** Lessee, at its own expense, shall maintain a general liability insurance policy (covering both bodily injury and property damage and covering its indemnity obligations under Paragraphs 13 and 14 of this lease, for which Lessor shall be carried as additional insureds) in an amount of at least \$5,000,000 combined single limit. Lessee shall also, at its own expense, carry worker's compensation insurance as required by law. Said policies shall

(i) name Lessor as additional insureds (except for the worker's compensation policy, which instead shall include a waiver of subrogation endorsement in favor of Lessor), and (ii) provide that said insurance shall not be canceled unless thirty (30) days prior written notice shall have been given to Lessor. In addition, such insurance provided by Lessee shall be primary coverage for Lessor and/or surface owner when any policy issued to Lessor and/or surface owner is similar or duplicate in coverage, and Lessor's policies shall be excess over Lessee's policies.

17. **FORCE MAJEURE.** Should Lessee be prevented from complying with any express or implied covenant of this lease, (other than a requirement to pay money or to receive any permits and/or regulatory filings with any governmental agency, local, state or federal) from conducting drilling or reworking operations thereon, from producing oil or gas therefrom, by reason of federal or state law or any rule or regulation of governmental authority or other similar cause (other than financial reasons) or by act of God, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended for a period not to exceed one (1) year, and Lessee shall not be liable in damages for failure to comply therewith, and this lease shall be extended for a period not to exceed one (1) year while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on, or producing oil and gas from, the Leased Premises; and the time while Lessee is so prevented shall not be counted against Lessee. In order for Lessee to claim the benefit of this paragraph, Lessee must advise Lessor in writing within thirty (30) days of the date Lessee claims any obligation is suspended, setting forth in reasonable detail such facts as Lessee relies upon to make the provisions of this paragraph applicable.

18. **NOTICES.**

(a) **To Lessee.** All notices to Lessee from Lessor shall be sent to the following address:

**Lessee:**  
Carrizo Oil & Gas, Inc.  
Attn: Vice President – Land  
1000 Louisiana Street, Suite 1500  
Houston, Texas 77002  
Phone: (713) 328-1000  
Fax: (713) 328-1035

Lessor shall be notified in writing of any change of address, or of the party to receive notice on behalf of Lessee.

(b) **To Lessor.** Lessor shall be notified at the address and contact persons shown below. Lessor shall notify Lessee of any change of the addresses set forth below.

**Lessor:**  
Arlington Independent School District  
Attn: Assistant Superintendent of Finance  
1203 W. Pioneer Parkway

Arlington, Texas 76013  
Phone 817-867-4611 Fax (817) 459-7733

19. **NO WARRANTY.** Notwithstanding anything herein to the contrary, this lease is made by Lessor without any warranties or representations of title, ownership or control of the Leased Premises, either express or implied, and without recourse against Lessor.

20. **WAIVER.** No waiver of any of the provisions of this lease shall be deemed or constitute a waiver of any other provision of this lease, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Likewise, the failure of Lessor to enforce any provision of this lease shall not be deemed nor shall constitute a waiver of the right of Lessor to enforce such provision.

21. **LAW AND VENUE.** The rights and duties of the party under this lease shall be governed by the laws of the State of Texas. Venue for any action to enforce Lessee's obligations hereunder shall lie in Tarrant County, Texas.

22. **HEADINGS.** The paragraph headings in this lease are for convenience only, and shall not be considered in interpretation or construction of any provision of this lease.

23. **SUCCESSORS AND ASSIGNS.** All terms, provisions and obligations of this lease shall be binding upon and shall inure to the benefit of the party hereto, their heirs, legal representatives, administrators, permitted successors and assigns.

24. **ATTORNEYS' FEES.** If any party files a legal action to enforce any express or implied obligation of this lease and receives a favorable judgment from a court of competent jurisdiction, then the losing party shall reimburse the prevailing party for all costs and expenses of such legal proceedings, including reasonable attorneys' fees, expert witness fees and costs.

25. **COMPLIANCE WITH LAW.** Lessee will comply with all applicable laws, regulations and ordinances in conducting all operations under this lease. Lessor and Lessee will fully and promptly comply with all relevant laws relating to oil and gas leases and the various related commercial transactions which are the sole underlying purpose of this lease and its provisions and with its other responsibilities and obligations under Railroad Commission Rules, Natural Resource Code TECQ, EPA, all Court rulings relating to the Lessor/Lessee relationship and the related commercial obligations of Lessee and Lessor under the Texas and Business Code. Lessee will at all times act as a Reasonably Prudent Operator in performing its statutory and common law responsibilities in a bona fide manner under this contract/lease with no self dealing or conduct that disadvantages Lessor financially.

26. **LESSOR'S ACCESS TO INFORMATION.** If requested in writing, during the term of this lease, Lessee agrees to provide Lessor with full information (including a plat or current unit map that reflects the as-drilled location of the vertical or horizontal well, as the case may be) production and runs, and copies of all run tickets and copies of all reports, applications, or other communications or filings to or from the Railroad Commission of Texas, concerning

wells on the Leased Premises and land pooled therewith. Further, if requested in writing, during the term of this lease, Lessee agrees to furnish Lessor a copy of all gas sales/exchange, buy/sell, or backhaul contracts, gathering, processing agreements and transportation agreements, plant construction agreements and any other agreements pursuant to which Lessee shall sell, use, transfer or dispose of any oil or gas, or product extracted therefrom, and produced from the Leased Premises or land pooled therewith or extracted from any substance produced from the Leased Premises or land pooled therewith or notwithstanding any purported confidentiality clauses. Upon written request, Lessee agrees to furnish Lessor with copies of the portions of Title Opinions, abstracts, curative materials and supplemental title opinions that are pertinent to the Leased Premises. Upon written request, not more than once a year, Lessor shall promptly provide Lessee the most recent gas sample with Btu values and a complete gas analysis (and dew point) as well as a mole sample and GPM calculation. As to oil and condensate, Lessor shall provide an oil condensate analysis and gravity and viscosity and quality analysis. All information furnished to Lessor hereunder shall be maintained as confidential and not disclosed to any third party during the term of this Lease, or until such information otherwise becomes available to the public, whichever is sooner.

27. **ENCUMBRANCES.** This lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor appearing of record, or their predecessors in interest, affecting the Leased Premises.

28. **COUNTERPARTS.** This lease may be executed in multiple counterparts, all of which shall be deemed to constitute one instrument.

29. **CONFLICTS OF INTEREST.** Lessee represents that Lessee; its officers and directors, are not employees or officers of AISD nor is Lessee (its officers and directors) acting on behalf of any such officer or employee of AISD.

IN WITNESS WHEREOF, this instrument is executed to be effective as of the date stated herein.

**LESSOR:**

  
Signature/Authorized Agent for Lessor

ARLINGTON INDEPENDENT SCHOOL DISTRICT  
Attn: Assistant Superintendent of Finance  
1203 W. Pioneer Parkway  
Arlington, Texas 76013  
Phone 817-867-4611 Fax (817) 459-7733

LESSEE:

[Signature] DMF  
Signature/Authorized Agent for Lessee

Title:

Vice President

Company:

Carrizo Oil & Gas, Inc.

Address:

1000 Louisiana, Suite 1500

City, State, Zip

Houston, Texas 77002

Phone:

(713) 328-1000

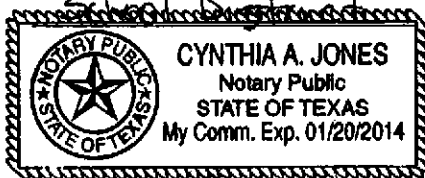
Fax:

(713) 328-1060

STATE OF TEXAS §

COUNTY OF TARRANT §

This instrument was acknowledged before me on the 21<sup>st</sup> day of October,  
2010, by Gloria Peña, Board of Trustees President of  
Arlington Independent School District, a Independent School District, on behalf of said  
School District

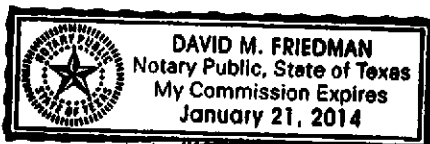


Cynthia A. Jones  
Notary Public in and for the State of Texas

STATE OF TEXAS §

COUNTY OF HARRIS §

This instrument was acknowledged before me on the 29th day of October,  
2010, by Andrew R. Agosto, Vice President of the  
Carrizo Oil & Gas, Inc., a Texas corporation, on behalf of  
said corporation.



David M. Friedman  
Notary Public in and for the State of Texas



**EXHIBIT "A"**  
**Property Description**

<b>PROPERTY</b>	<b>ACRES</b>	<b>DESCRIPTION</b>	<b>ADDRESS</b>
Arlington ISD Administration Bldg	7.029	Blk 1, Lot 38, J Stephens Addition	1203 W Pioneer Parkway, Arlington, Texas 76013
Bus Barn Tract	1.468	Lot 122A, A Newton Addition	2502 S. Cooper St., Arlington, Texas 76013
<b>Total</b>	<b>8.497</b>		